

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7518

BILL NUMBER: HB 1480

DATE PREPARED: Jan 9, 2001

BILL AMENDED:

SUBJECT: Various State and Local Taxes.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill makes various changes concerning the Gross Income Tax, the Sales and Use Tax, the Adjusted Gross Income Tax, federal tax refunds for Indiana income taxes owed, ordinances regarding local taxes, and Roth IRAs and educational IRAs.

The bill provides that oil inspection fees collected by licensed gasoline distributors are not gross income.

It removes vehicle identification information from the income tax return.

The bill also provides that the state welfare allocations calculated as part of the financial institutions tax distributions and the motor vehicle excise tax distributions are based on amounts levied by counties for the county welfare fund and the county welfare administration fund, rather than the amounts appropriated from those funds.

The Investment Income Tax Credit is repealed.

The bill also corrects internal references.

Effective Date: Upon passage; January 1, 2001 (retroactive); July 1, 2001; January 1, 2002.

Explanation of State Expenditures: *Vehicle identification information:* This bill deletes the requirement that the Department of State Revenue (DOR) obtain vehicle identification information from taxpayers on the tax return.

Sales Tax Remittance & Reports: The requirement that remitters of sales and use tax pay monthly, but only file reports on a quarterly basis is designed to create administrative savings for the Department and taxpayers.

Explanation of State Revenues: *County Remittance:* This bill allows county treasurers to remit gross income tax receipts from the sale or transfer of an interest in real estate to the Department of State Revenue on the 20th day of the month following the end of a quarterly period. Current law requires the remittance to be on the 15th day of the month. This will result in a minimal loss of interest earnings from the five-day delay of receiving these tax receipts, but it will bring the remittance dates in conformity with other tax filing dates.

Use Tax exemption: The bill clarifies that the use tax exemption for tangible personal property processed in Indiana by commercial printers and transported out of Indiana for sole use outside of Indiana applies to property that is delivered into Indiana from sources within or outside the state. Any impact would be negligible.

Definition of dependent: For purposes of the employee medical care savings account plans, the definition of dependent is changed to be consistent with the Internal Revenue Code. This change expands the definition, except for the exclusion of mentally or physically incapacitated children over the age of 18.

Oil Inspection Fees: The bill provides that oil inspection fees collected by licensed gasoline distributors are not considered gross income for purposes of calculating a taxpayer's tax liability. According to the Department of State Revenue, this exemption would result in a \$60,000 reduction in Gross Income Tax revenue. This revenue is deposited in the General Fund.

Repealed Tax Credit: This bill also repeals the Investment Income Tax Credit. According to the Department of State Revenue, no one has utilized this credit, so there will be no impact resulting from its repeal.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Local Option Taxes:* The bill specifies that if a local unit of government adopts a local option tax, the ordinance must be adopted after January 1 and before April 1 of a year and takes affect on July 1 of the year it was adopted. The local fiscal body must send DOR a certified copy of each ordinance adopted by certified mail not more than 10 days after the ordinance is adopted.

Calculations of Welfare Allocation: The provision which changes the calculation of state welfare allocations to be based on county levies for the county welfare fund and the county welfare administration fund, rather than the amounts appropriated from those funds, clarifies how these distributions are to be made and corresponds to the current practice of other local distributions.

State Agencies Affected: Auditor's Office; Department of State Revenue.

Local Agencies Affected: Counties; Local units of governments who impose a local option tax.

Information Sources: Tom Conley, Department of State Revenue.